

Intermodal Review Committee

May 16, 2006 Minutes

Meeting called to order at 7:09 p.m.

Members present: Mayor Carol Lehman, Chair Dave Drovetta, Mark Raney, Eric Schultz, Sam Boyajian, Scott Coup, Mayor Frances Cross, Dan Wehmeier, Lee Metcalf, Gabe Brown and Shirley Bruce Brown-VanArsdale.

Staff Present: Stewart Fairburn, Melissa Mundt, Fred Sherman, David Greene, Laura Gourley, and Art Davis, facilitator

Also Present: Skip Kalb, Director of Strategic Development BNSF; Steve Forsberg, Director Corporate Relations BNSF; Chuck Burriss, Intermodal Hub Operations BNSF; Greg Kindle, EDC; and Scott Goehri, HDR; Chris Kinzel, HDR; Rita Moore, Edgerton City Clerk; Mark Taylor, Gardner News; Chris Gutierrez; Bill Thomas, KS Commerce; Lanthrop Gage, GIG;

Public present: A count by City staff indicates approximately 270 citizens in attendance.

Welcome and Introductions

Council President Dave Drovetta, Committee Chair, and Art Davis, Facilitator, provided an overview of the scope and process, and reviewed the agenda. The Committee was reminded that a public forum is scheduled for June 6, 2006, at City Hall from 6:00 to 8:00pm.

Review and Approval of Minutes from May 9 meeting

The minutes from May 9, 2006, were approved with no changes.

Distribution of Public Input/Questions since May 9

Art Davis noted a correction on a handout from the previous meeting held on May 7, 2006. There was a typo that stated 5,900 truck and car trips per day but should have been 59,000 car and truck trips per day for the Logistics Park at full build-out in 2025. Several questions received from Shirley Brown Van-Arsdale were collected and submitted to the staff for a future response.

Presentation and Committee Discussion

I. Economic Analysis (from BNSF)

Skip Kalb stated that the demand for information has outstripped City resources and that BNSF would be increasing their public information efforts. He stated that the Mayor, staff and committee are in a tough position because when they do respond to questions it appears as if they are advocating the project. Mr. Kalb assured that the staff is not advocating for the project.

Mr. Kalb responded to a comment at the City Council meeting held on May 15, 2006, by the son of a BNSF employee that property values would decline as a result of this project. The BNSF Assistant Vice President that was in question is not involved in this project, and he did not say that property values would decline as a result of the project. Mr. Kalb said that property values have increased near their two existing facilities similar to this project. There will be an official retraction by the Assistant Vice President's son in reference to his erroneous statement.

BNSF has only done two facilities of this type, Alliance, TX and Elwood/Joliet, IL. In both cases property values escalated in the surrounding areas.

Logistics Park Chicago, Opened 2002
Total Investment \$1Billion

Alliance, TX

In its 11th year, there are 600,000 lifts annually; 320 employees just for the Intermodal portion and on average pays \$15.42/hour. There is already 24 million sq. feet at Alliance, and we are only projecting 12 million for Gardner over a longer period of time.

The total economic impact at Alliance is \$2.97 billion, with 95% private investment. There have been 5,288 homes constructed near Alliance, and the total jobs created from 1990-2005 are at 24,000. Mr. Kalb presented information regarding the direct property taxes paid to cities in the area around the Alliance facility, and indicated the development of office and retail, in addition to the distribution facilities constructed. Commercial development is now competing for land with residential near the Alliance facility.

Mr. Kalb said that CH2M Hill/Lockwood Green under the direction of Bob Price, conducted the economic analysis for BNSF at the Gardner site. BNSF looked at a 20-year view for Gardner with the CH2M Hill/Lockwood Green analysis.

Assumptions for the analysis included:

- 1350 acre Logistics park
- 1000 acre Warehouse development (third party, rail 40%, non-rail 60%) and 350 acres for Intermodal facility
- 100% within Gardner City Limits
- BNSF Intermodal facility
- \$154,360,000 Construction cost (current dollars)
- \$11,440,000 Construction related wages
- 143 initial employment, up to 300+ by 2026
- Distribution/Warehouse Assumptions
 - 1 million sq. ft./yr., no speculative building
 - Construction cost: \$70/sq.ft.
 - Employment: 6 jobs for every 10,000 sq. ft. of building
 - Land excluded, value of \$14,000/sq.acre
- Rail Served:
 - 13-30 acre sites

350,000 sq. ft. average size
Avg. 1 site/yr. over 12 years
Non-rail served:
15 -40 acre sites
500,000 sq. ft. buildings
Avg. 1.25 sites/year over 12 years

Property tax (millions): 134.3 for USD; 41.5 for City of Gardner (divided by 20 yrs.)
Sales Impact: \$30.2 Billion over 20 years to KS

II. Economic Impact—Greg Kindle, SWJCEDC

Mr. Kindle summarized his role as part of the Southwest Johnson County Economic Development Corporation. He indicated he is usually the first to get contacted for information about the area on behalf of companies looking to locate in the area and acts as a facilitator with the various local governments, and civic and business leaders.

Mr. Kindle provided an overview of the US market going to service and consumption that relies on distribution jobs. Gardner is centrally located, adjacent to many lane miles of interstate, a good workforce, and a one-day drive to major markets. Gardner is on the main line from the major California ports to Chicago. The KC area is competitive nationally based on its access to rail service and Johnson County Community College is a major training center for BNSF. Gardner has 8,000 lineal feet of rail close to the interstate that is fit for use as an Intermodal location.

The South West Johnson County Economic Development Council's role is not to say whether a project is good or bad, but rather, to provide factual data to help City leaders in determining whether a potential project merits support.

Gardner's property tax mill rate of 135.731 is not Johnson County's highest rate, but it is near the top.

Mr. Kindle described the economic development model accepted by the State and used for other projects in Gardner. Some of the assumptions are a little different than what is being proposed by BNSF, but this model shows more significant economic impact than the BNSF economic impact model is suggesting.

The assumptions used for the proposed 1100 acre project are: 800 acres of distribution/warehousing Logistics Park, and 300 acres for the Intermodal facility with building costs estimated at \$50/sq. ft. and no depreciation. It is also suggested that there would be a total of 12 million sq. ft. of development over 20 years. The model shows \$190M in real estate property taxes passed on to USD 231, representing 58% of the property taxes generated going to the school district.

Gardner's current tax burden is 85% residential and 15% commercial/industrial. In the first full year of operations, the property tax burden is expected to shift to 70% residential. If the Logistics Park was the only commercial/industrial growth over the next

twenty years, the balance on property taxes is projected at 42% residential and 58% commercial/industrial.

Residential properties are assessed at 11.5% and commercial/industrial properties are assessed at 25% of their value. This means that 725 homes are equal to 1 million sq. ft. of industrial property tax.

A project like this could enable the City of Gardner to reduce or minimize the need for future tax increases. It is anticipated that the school district would need \$130 million in new facilities (capital only – does not include growing operational needs) over the next 10 years to keep up with projected housing growth.

Potential funding sources:

Incentives have not yet been requested by BNSF. The BNSF Intermodal portion would not qualify for tax incentives; however, the 12 million sq. ft. of warehousing would meet the City's incentive criteria.

It is anticipated that the federal and state governments would help fund a new interchange. There have been no discussions with the County about any potential cost sharing. The local roads and infrastructure could be constructed using a benefit district to be paid by special assessments against the property, not by residents and businesses of Gardner.

Wage comparison:

- All Johnson County occupations \$18.71 avg.
- Transportation \$13.91
- Average for the 66030 zip code is \$11.00/hr
- Intermodal wage range \$10.00 - \$20.00/hr
- Distribution - \$10.00 - \$15.00/hr

Mr. Kindle stated that the Gardner interchange does have the capacity in the short-term for truck traffic, but it would be detrimental in the long run to future retail development. A new interchange is needed to avoid this problem. There should be a nominal impact on New Century Airport and surrounding business parks. The proposed development would likely speed up home sales in Edgerton, which would lead to more retail development. However, grade separation is needed for Edgerton. There could also be industrial spin-off, especially with the K-10 to I-35 corridor. Gardner is growing and currently has a high tax rate. The logistics park is one way to quickly diversify the tax base.

Questions from the committee:

Are there ways to assure higher wage rates?

This could be done by using City incentives and requiring wage levels based on a legally binding development agreement. However, wages are based on market conditions and requiring higher wages may be problematic.

Did you use assessed valuation increases from county?

Mr. Kindle responded that he did not look at Johnson County, just the USD231 Public Schools, and growth anticipated in the Gardner city limits.

It was stated that the County Assessor is estimating that there will be a six to eight percent growth rate, and then plateau. Mr. Kindle responded that as a percentage the County would not grow as much because of its size, but because Gardner is just beginning to grow, it is likely the percentage would be higher than the rest of the County.

Did you look at tax shifts at Alliance and Chicago?

No. We could attempt to obtain this information, but BNSF should obtain this information as the developer.

What about the other big projects in the area?

Legoland is not financially viable. The proposed soccer complex requires 200,000 sq ft of retail and the numbers are still nebulous, but the project may be in the black but we are not certain.

Regarding the proposed logistics facility, is the \$11 million in wages included in the estimated \$154 million in construction costs?

Mr. Kalb stated that the wages were included.

III. Marketability of Logistics Park and Related Spin-off Distribution KC SmartPort, Chris Gutierrez, President

Mr. Gutierrez discussed marketability of Intermodal facility and the adjacent warehousing, and noted that the manufacturing sector would continue to decrease in size through 2010.

Kansas City is a logistics friendly city and is nationally recognized. In 2001, the Kansas City area was rated 21st in the nation, and in 2005 it was rated 9th in the nation. Kansas City is the 3rd largest trucking center and has more air cargo than anyone in the 6-state region.

He described several distribution successes and that this project has received the interest of national developers.

U.S. Customs inspects all high risk freight. By using Intelligent Transportation Systems, freight is inspected before it gets to the U.S. Smart Ports around the country track, trace, and secure all freight coming into the country.

Questions from the Committee:

Mr. Gutierrez was asked to talk more about the security devices that are used.

Metal seals are placed on each container to identify if it has been opened. The electronic seals monitor, light, ammonia, and other chemical readings and the information can be relayed to a satellite for notification of the appropriate authorities.

IV. Overview of Government Services Impact, Stewart Fairburn, City Administrator

By 2020, the population of Gardner is estimated to be 40,000. This is unrelated to the logistics park. South Gardner Road, Center Street Improvements, and Main Street are all impacted by the normal growth issues of the City. Maintenance costs are paid for through taxes, and planning and engineering have fees to pay for those services. The long-term plan of the City is to have a more diverse tax base when the I-35 corridor grows, which is several years away. This project is more immediate.

Question from the Committee:

Is there local control over 56 Highway?

There is no local control so the need to control traffic is before it reaches there, such as putting medians on Waverly and closing off 183rd Street to trucks.

Utilities would offset rate increase?

Usage would need to be understood; water and wastewater use is low; electric creates a good base load and revenue could be very good, but there are other future costs dealing with capacity. There would be franchise fees from KCPL if they serve, but franchise fees are always under attack.

V. Determine Next Steps and Review Process for Reviewing Draft Report Prior to Discussion on Tuesday, June 13

Mr. Drovetta mentioned that the June 13th meeting will have a representative from the EPA. Mr. Claude Hobby, representing citizens that are concerned about the impact of the Intermodal Logistics facility on the community, will also get an opportunity to speak to the Committee.

The City Council is setting up a work session for the week of the May 23rd to discuss options for rejecting the proposed project.

Mr. Drovetta also mentioned that writing the report would require a venue for the Committee to work as a team and would probably require a smaller, more personal venue to work in.

There was discussion that there may not be enough time to prepare the report and that more meetings may need to be added. A skeleton report will be provided to the Committee several days prior to the June 13 meeting to begin the work of preparing a full report for consideration by the Mayor and City Council.

The meeting adjourned at 9:55 p.m.